

HARRISONBURG FINANCIAL MANAGEMENT POLICIES

March 24, 2026





Financial Management Policies

Overview:

- Originally approved by City Council in 1995
- Most recent revision by City Council in 2014
- Establishes a framework within which sound financial decisions may be made for the long-term betterment and stability of the City



Financial Management Policies

Why are financial management policies important:

- Best Practices
- Fiscal Sustainability and Stability
- Decision-Making Boundaries
- Long-term Focus for Planning
- Accountability and Transparency for Public Funds
- Supports Strong Credit Ratings
- Compliance



Financial Management Policies

Organization of the Policy (8 Sections):

- Operating Budget Policies
- Capital Budget Policies
- Asset Maintenance and Replacement Policies
- Revenue Policies
- Investment Policies
- Accounting, Auditing and Financial Reporting Policies
- Debt Policies
- Fund Balance or Reserve Policies



Financial Management Policies

Asset Maintenance and Replacement Policies:

- Updated language to a policy of attempting to prevent bridges from becoming structurally deficient.
- Updated language to a policy of attempting to ensure all public street pavement is at a satisfactory condition.
- Updated language to a policy for water and sewer infrastructure that incorporates asset inventory, condition assessment, level of service, life cycle costing, risk management and long-term financial management.



Financial Management Policies

Debt Policies:

- Changed language from “general bonded” debt to “tax-supported” debt in several places.
- Added a 10-year payout ratio for tax-supported debt that should be at least 50% with a target of 55% or better.
- Added for both the Water and Sewer Fund, a debt service coverage target ratio that should meet or exceed 1.25 of their respective charges for services revenue on a budgetary and actual basis.



Financial Management Policies

Fund Balance or Reserve Policies:

- In the event that the City is out of compliance, the Director of Finance shall within six months, submit a plan to the City Manager that will correct the noncompliance.
- Both the Water and Sewer Funds unassigned fund balance (unrestricted net position) at the close of each fiscal year should be equal to no less than 25% of their respective charges for services revenue.
- Funds in excess of the required unassigned fund balance (unrestricted net position) should be considered for "pay as you go" capital expenditures while funds below the required amount should be considered for unforeseen emergencies.